

Hints on Filing State Income Return Offered

(This is the twelfth of a series of articles on federal and California income tax filing. This information has been provided by the Committee on Taxation of The California Society of Certified Public Accountants.)

Many Californians, particularly those who have only recently moved here, are not aware that their state has a personal income tax and annual returns for this must be filed in much the same manner as federal income tax returns. Similarly, California imposes severe penalties for failure to file returns when required.

The entire net income of California residents — and the net income of non-residents derived from sources within California — is subject to a tax computed on a graduated scale running from one per cent to seven per cent. This compares to a federal rate running from 20 per cent to 91 per cent.

If you moved to California during 1960, income received prior to taking up California residence is not taxable on the California return. Likewise, deductions are not allowable for expenditures made in the same period. Income taxes paid to other states may be used to offset and reduce the California tax in some circumstances.

The average taxpayer who reports on a calendar year basis must file a return annually — on or before April 15—for the preceding year's income if it exceeds certain minimum amounts.

Specifically, a return is required of every unmarried person whose gross income amounts to \$5000 or more in a taxable year, or if his net

income (which means gross income less allowable deductions) equals or exceeds \$1500.

For married persons, returns are required if their gross income exceeds \$500, or if their net income exceeds \$3000.

For federal income tax purposes, it is well known that taxpayers are allowed deductions for personal exemptions at the rate of \$600 for the taxpayer and for each of his dependents. But in California, married persons are allowed deductions of \$3000 jointly for the taxpayer and his spouse.

Additional dependents qualify for personal exemption deductions at the rate of \$600 each. Single persons are entitled to a deduction of \$1500 for personal exemption.

Prior to 1959 there were numerous differences in the treatment of items of income and deductions for state and federal purposes. Although most of these differences were removed by legislative changes enacted during 1959, a few still exist.

One important difference relates to the taxability of interest on obligations of the United States. For federal tax purposes, interest on United States government bonds is fully taxable, except in some isolated instances; but for California purposes this type of income is completely exempt. Interest on obligation

of states, cities, counties, and other local government units is exempt from federal tax. However, such interest received from governmental units outside California is to

be included as income on the California return.

Another important difference lies in the method of reporting income from annuities. In California, annuity income is taxable only to the extent of 3 per cent of the original cost of the annuity. The remainder is considered a tax-free recovery of cost until the entire cost is recovered. Thereafter all further receipts are fully taxable. For federal tax purposes, elaborate rules based on the life expectancy of the annuitant govern the taxation of annuity income.

In the area of deductions, a California taxpayer electing to itemize his non-business deductions rather than use the so-called "standard deduction" will find that California rules are generally comparable to the federal. Thus, contributions to charitable-type organizations, interest, taxes, casualty losses, medical expenses, etc., are deductible within certain limitations.

Deductions for contributions paid may ordinarily be claimed on the federal return, subject to a maximum limitation of 30 per cent of adjusted gross income in some cases. However, on the

California return, the maximum percentage limitation is 20 per cent.

In order for medical expenses to be deductible on a California return, the expenses paid must exceed 5 per cent of the adjusted gross income, and the deduction is limited to the excess. However, the deduction cannot exceed \$2500 on a joint return of a single person. On the federal return the percentage limitation is 3 per cent, and there are additional restrictions on the amount of deductions allowable for drugs and medicines.

After five years of major differences in allowable depreciation methods, the California law was conformed to the federal in 1959. This means that the "double declining balance" and "sum-of-the-years digits" methods are now acceptable depreciation methods in both federal and California returns under certain conditions. In addition, California also now recognizes and allows the special 20 per cent additional first-year depreciation allowance that was brought into the federal law in 1958.

While the California income tax may be deducted on the federal return, the California law specifically prohibits the deduction of either federal or state income taxes.

It is apparent that while California tax rules are generally quite similar to the federal there are some differences. It thus behooves the California taxpayer to scrutinize closely the instructions for filing California tax returns if he is to report his California income properly.



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Know Your Traffic Laws

Prepared in Cooperation With the
Torrance Police Department

Traffic Box Score (As of March 1)*	
Fatalities	5
Injury Accidents	80
Persons Injured	124
Non-injury Accidents	101

*Box score of all accidents investigated by
Torrance Police Department since Jan. 1, 1961

So you may better understand the importance of Traffic Laws and safe-driving habits, the traffic division of the Torrance Police Department has made a comparison of accidents that occurred during the month of February in 1960 and again in 1961, to show the increase in persons injured and those involved in injury accidents:

	Feb. 1960	Feb. 1961
All Accidents	118	88
Fatalities	0	3
Injury Accidents	30	41
Property Damage	88	44
Persons Injured	34	71

During the first two months of this year, five persons died and 124 received injuries in a total of 187 accidents investigated by the police department.

TRAFFIC LAWS are designed to move the greatest number of vehicles in a continuous flow from one place to another in a safe, orderly manner, according to Lt. Don Nash, head of the traffic division.

However, Lieutenant Nash points out, since not everyone on a highway is traveling in the same direction, a conflict of motion will exist. Motorists attempting to turn illegally will interrupt the smooth flow of traffic as will the uninformed driver moving too slowly in

the fast lane, or the discourteous driver that is in a hurry, and passes vehicles on the right.

"With the rapid population growth, new shopping centers, new industries... our traffic problems have grown with them," Chief of Police Percy G. Bennett, says. "Traffic laws are, and will continue to be strictly enforced to protect you, the driver," Bennett cautioned.

SOME RULES which may help you understand your traffic laws, and thereby help you as a driver have been listed by the traffic division:

1. **Keep Right on Highways**—On all roadways a vehicle shall be driven on the right half of the roadway, except (a) when overtaking and passing another vehicle going in the same direction when it is safe to do so; (b) when getting in a lawful position for and when the vehicle is lawfully making a left turn; (c) when the right half of the roadway is closed to traffic; and (d) when roadways are posted for one-way traffic.

2. **Keep Right of Double White Lines**—Always keep vehicles to right of double lines except that when entering or leaving a driveway it is permissible to turn left across them. It is never permissible to make a U-turn across double lines.

3. **Divided Highways**—At no time are vehicles permitted to move over, upon, across, or to the left of any dividing section of any roadway, and never make a left turn or U-turn except through an opening designated and intended for use of vehicles.

A divided highway is divided into two or more roadways by use of center barriers of various types and with a center strip at least 2 feet in width.

4. **Slow Moving Vehicles**—Any vehicle proceeding upon a highway at a speed less than the normal speed of all other traffic moving in the same direction shall be driven in the right hand lane for traffic, or as close as practicable to the right hand edge or curb. Only exceptions listed are for passing slower vehicles, or preparing and executing a legal left turn.

Remember: Safe Driving is a Habit. Try It.

L.A. School Playgrounds To Be Opened

Playgrounds on seven Los Angeles City Schools in this area will be open from 1 to 5 p.m. during the Easter vacation this week, it was reported by Harry W. Phillips, supervisor of the South Elementary District's youth services and physical education.

Area playgrounds where activities are scheduled during the week include those at Lomita, 259th Place, Harbor City, Vermont, Hallidale, 186th Street, and 223rd Street schools.

Supervised activities and games will be available at any of these areas. Phillips said.

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